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FISCAL IMPACT REPORT

SPONSOR: Larranaga DATE TYPED: 1/30/04 HB 54
 SHORT TITLE: Reduce Income Tax Rates SB _____
 _____ ANALYST: Smith

REVENUE

Estimated Revenue				Recurring or Non-Rec	Fund Affected
FY04	FY05	FY06	FY07		
(38,900.0)	(119,520.0)	(245,400.0)	(382,703.0)	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

Conflicts with HB-167, SB 167, SB 226 and SB 238

SOURCES OF INFORMATION

Responses Received From

TRD

SUMMARY

Synopsis of Bill

House Bill 54 would reduce New Mexico's highest personal income tax rates from their current maximum of 8.2 percent to the following percentage rates:

- In tax year 2003: 7.2%;
- In tax year 2004: 6.2%;
- In tax year 2005: 5.2%; and
- In tax year 2006 and after: 4.2%.

Significant Issues

TRD has provided the following rate table.

Current and Proposed Personal Income Tax Rates

<i>Current</i> Rate (%)	Joint Taxable Income		Single Taxable Income		Separate Taxable Income		Head of Household Taxable Income	
	From	to	From	to	From	to	From	to
1.7	0	8,000	0	5,500	0	4,000	0	7,000
3.2	8,001	16,000	5,501	11,000	4,001	8,000	7,001	14,000
4.7	16,001	24,000	11,001	16,000	8,001	12,000	14,001	20,000
6	24,001	40,000	16,001	26,000	12,001	20,000	20,001	33,000
7.1	40,001	64,000	26,001	42,000	20,001	32,000	33,001	53,000
7.9	64,001	100,000	42,001	65,000	32,001	50,000	53,001	83,000
8.2	101,000	& above	65,001	& above	50,001	& above	83,001	& above

<i>Proposed</i> Tax Year 2003 Rate (%)	Joint Taxable Income		Single Taxable Income		Separate Taxable Income		Head of Household Taxable Income	
	From	to	From	to	From	to	From	to
1.7	0	8,000	0	5,500	0	4,000	0	7,000
3.2	8,001	16,000	5,501	11,000	4,001	8,000	7,001	14,000
4.7	16,001	24,000	11,001	16,000	8,001	12,000	14,001	20,000
6	24,001	40,000	16,001	26,000	12,001	20,000	20,001	33,000
7.1	40,001	64,000	26,001	42,000	20,001	32,000	33,001	53,000
7.2	64,001	& above	42,001	& above	32,001	& above	53,001	& above

<i>Proposed</i> Tax Year 2004 Rate (%)	Joint Taxable Income		Single Taxable Income		Separate Taxable Income		Head of Household Taxable Income	
	From	to	From	to	From	to	From	to
1.7	0	8,000	0	5,500	0	4,000	0	7,000
3.2	8,001	16,000	5,501	11,000	4,001	8,000	7,001	14,000
4.7	16,001	24,000	11,001	16,000	8,001	12,000	14,001	20,000
6	24,001	40,000	16,001	26,000	12,001	20,000	20,001	33,000
6.2	40,001	& above	26,001	& above	20,001	& above	33,001	& above

<i>Proposed</i> Tax Year 2005 Rate (%)	Joint Taxable Income		Single Taxable Income		Separate Taxable Income		Head of Household Taxable Income	
	From	to	From	to	From	to	From	to
1.7	0	8,000	0	5,500	0	4,000	0	7,000
3.2	8,001	16,000	5,501	11,000	4,001	8,000	7,001	14,000
4.7	16,001	24,000	11,001	16,000	8,001	12,000	14,001	20,000
5.2	24,001	& above	16,001	& above	12,001	& above	20,001	& above

<i>Proposed</i> Tax Year 2006 Rate (%)	Joint Taxable Income		Single Taxable Income		Separate Taxable Income		Head of Household Taxable Income	
	From	to	From	to	From	to	From	to
1.7	0	8,000	0	5,500	0	4,000	0	7,000
3.2	8,001	16,000	5,501	11,000	4,001	8,000	7,001	14,000
4.2	16,001	24,000	11,001	16,000	8,001	12,000	14,001	20,000

TECHNICAL ISSUES

TRD notes a drafting error on page 2, line 23. The current language stipulates a rate of 7.9%, but this is probably intended to be 7.2%. Estimates in this report were based on the 7.2 percent figure.

OTHER SUBSTANTIVE ISSUES

TRD has provided a table showing the amount of relief by income and filing status.

Table 2: Effects of Proposed Tax Reduction by Taxable Income and Filing Status												
(Millions of Dollars)												
Filing Status	Tax Year 2003			Tax Year 2004			Tax Year 2005			Tax Year 2006		
	Present Law Liability	Proposed Law Liability	Decrease in Tax	Present Law Liability	Proposed Law Liability	Decrease in Tax	Present Law Liability	Proposed Law Liability	Decrease in Tax	Present Law Liability	Proposed Law Liability	Decrease in Tax
Married Filing Joint												
Taxable Income (\$)												
0 to 8,000	2.0	2.0		2.1	2.1		2.2	2.2		2.3	2.3	
8,001 to 16,000	9.4	9.4		10.0	10.0		10.7	10.7		11.5	11.4	(0.1)
16,001 to 24,000	18.2	18.2		19.6	19.6		21.0	20.8	(0.2)	22.6	20.8	(1.8)
24,001 to 40,000	76.2	76.2		81.4	81.1	(0.4)	86.9	80.2	(6.8)	92.9	74.4	(18.5)
40,001 to 64,000	159.2	159.0	(0.1)	169.3	160.0	(9.3)	179.7	150.2	(29.5)	191.2	134.0	(57.3)
64,001 to 100,000	165.9	161.2	(4.7)	175.7	155.0	(20.6)	185.7	141.6	(44.2)	196.7	123.7	(73.1)
100,001 and over	291.7	266.8	(24.9)	306.4	246.3	(60.1)	321.5	219.3	(102.2)	337.8	187.8	(150.1)
Total	722.5	692.8	(29.7)	764.4	674.1	(90.3)	807.8	624.9	(182.9)	855.1	554.3	(300.8)
Single												
Taxable Income (\$)												
0 to 5,500	5.6	5.6		5.9	5.9		6.3	6.3		6.7	6.7	
5,500 to 11,000	19.5	19.5		20.9	20.9		22.4	22.2	(0.2)	24.2	24.2	
11,000 to 16,000	27.9	27.9		29.8	29.8		31.8	29.7	(2.1)	34.1	34.1	0.002
16,000 to 26,000	57.1	57.1		60.8	58.0	(2.8)	64.7	54.9	(9.8)	68.9	52.9	(16.0)
26,000 to 42,000	47.2	46.1	(1.1)	50.0	44.5	(5.5)	52.9	40.8	(12.1)	56.2	41.5	(14.6)
42,000 to 65,000	27.2	25.6	(1.6)	28.7	24.1	(4.6)	30.2	21.7	(8.5)	31.9	22.0	(9.9)
65,000 and over	48.2	43.5	(4.7)	50.5	39.8	(10.7)	52.9	35.2	(17.7)	55.5	35.5	(20.0)
Total	232.7	225.3	(7.4)	246.8	223.1	(23.7)	261.3	210.8	(50.5)	277.4	216.8	(60.7)
Separate												
Taxable Income (\$)												
0 to 4,000	0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0	
4,000 to 8,000	0.1	0.1		0.1	0.1		0.1	0.1		0.1	0.1	
8,000 to 12,000	0.2	0.2		0.3	0.2		0.3	0.3		0.3	0.3	
12,000 to 20,000	1.0	1.0		1.1	1.1		1.1	1.1	(0.1)	1.2	1.0	(0.2)
20,000 to 32,000	1.8	1.8		1.9	1.8	(0.1)	2.0	1.7	(0.3)	2.1	1.5	(0.6)
32,000 to 50,000	1.8	1.7	(0.1)	1.9	1.6	(0.2)	2.0	1.5	(0.5)	2.1	1.3	(0.8)
50,000 and over	6.3	5.7	(0.6)	6.6	5.2	(1.4)	6.9	4.6	(2.3)	7.2	3.9	(3.3)
Total	11.2	10.5	(0.7)	11.8	10.1	(1.7)	12.4	9.2	(3.2)	13.1	8.1	(5.0)
Head of Household												
Taxable Income (\$)												
0 to 7,000	1.7	1.7		1.8	1.8		1.9	1.9		2.0	2.0	
7,000 to 14,000	4.7	4.7		5.0	5.0		5.3	5.3		5.7	5.7	
14,000 to 20,000	6.0	6.0		6.5	6.5		7.0	6.9	(0.1)	7.5	6.9	(0.6)
20,000 to 33,000	11.5	11.5		12.3	12.2		13.1	12.1	(1.0)	14.0	11.3	(2.7)
33,000 to 53,000	12.3	12.3		13.1	12.4	(0.7)	13.9	11.7	(2.2)	14.8	10.4	(4.3)
53,000 to 83,000	7.2	7.0	(0.2)	7.6	6.7	(0.9)	8.0	6.1	(1.9)	8.5	5.3	(3.2)
83,000 and over	10.3	9.4	(0.9)	10.8	8.7	(2.2)	11.4	7.7	(3.7)	11.9	6.6	(5.4)
Total	53.6	52.5	(1.1)	57.0	53.2	(3.8)	60.6	51.7	(8.9)	64.4	48.2	(16.2)

